Weekly Economic Review

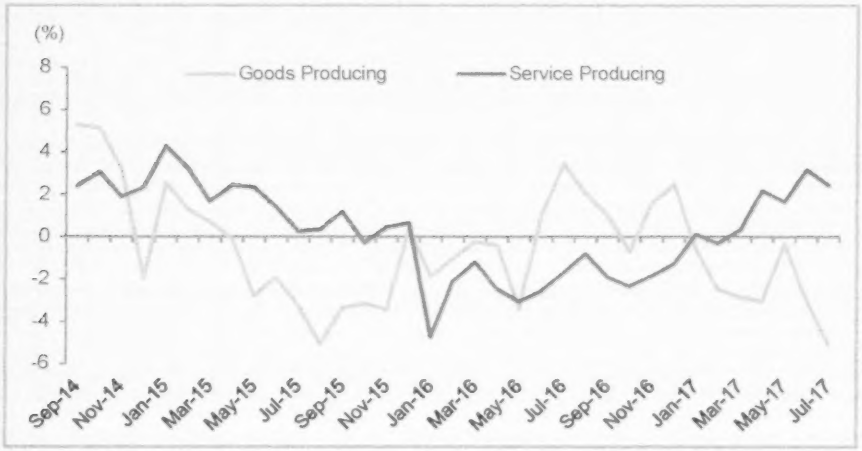
Earnings take a step back

Average Weekly Earnings

Earnings pare back some of last month's gains

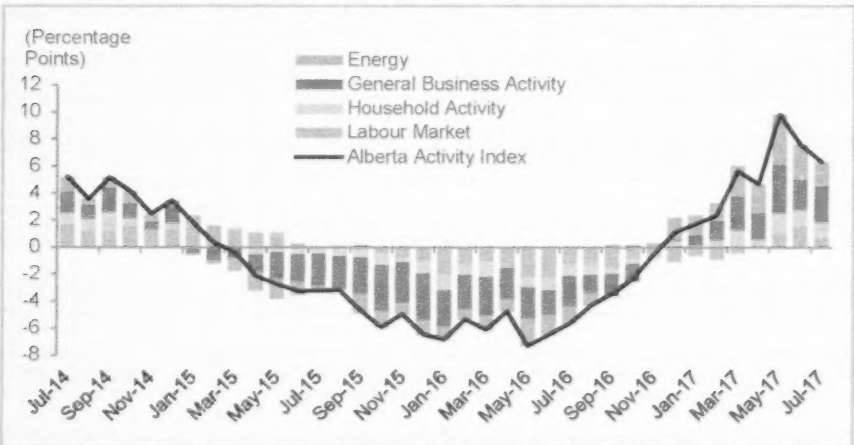
Average weekly earnings (AWE) pulled back in July after rebounding to an 8-month high in the previous month. AWE fell 0.9% month-over-month (m/m) to $1,125, dragged down by lower earnings in the service sector (-0.8% m/m). The monthly decline in service sector AWE was led by a sharp reversal in administrative and support services, followed by decreases in information and culture as well as professional, scientific and technical services. Meanwhile, goods sector AWE was largely unchanged as gains in utilities and forestry, logging and support were offset by a decline in the manufacturing sector, which sunk to a two and a half year low. Goods sector earnings remain lower than year-ago levels following a sharp drop in mining, oil and gas sector earnings earlier in the year (Chart 1). Year-to-date, overall AWE is little changed.

Chart 1: Goods sector earnings mired in weakness
Year-over-year growth in average weekly earnings by industry



Source: Statistics Canada

Chart 2: Broad-based recovery in economic activity
Contributions to year-over-year change in the Alberta Activity Index



Source: Alberta Treasury Board and Finance

Alberta Activity Index

Activity moderates

After climbing steadily since May of last year, provincial economic activity moderated for a second consecutive month in July. The Alberta Activity Index (AAX) fell an additional 1% after dipping 0.5% the month before. Labour market indicators, general business activity and energy-specific activity all lost ground in July, while household activity held steady. Despite the monthly decline, the AAX was up 6.3% from last year's depressed level on broad-based improvements. Year-over-year growth moderated in the last two months after energy activity rebounded sharply in May from last year's exceptionally low levels in the wake of the Fort McMurray wildfire (Chart 2).

Job Vacancies

Upsurge in job vacancies

Job vacancies in the province continue to gain traction. The number of job vacancies in the three-month period ending June reached a 19-month high of 34,000, up 5,400 from the previous period. This was the strongest monthly gain since early 2012. With a surge in job vacancies, the unemployment-to-job vacancy ratio fell to 5.8, the lowest level since December 2015, but still higher

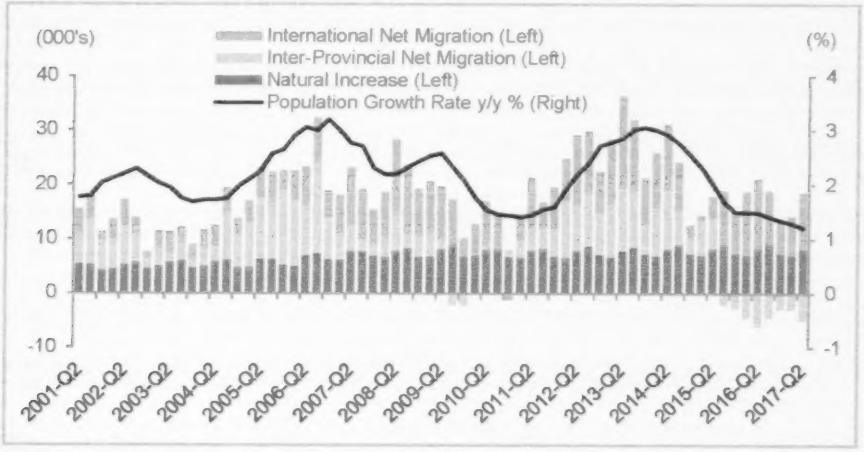
than the national rate of 4.8. Nationally, the number of job vacancies grew by 5,000 as gains in Alberta and Quebec outweighed a decline in Ontario.

Population

Interprovincial outflows weigh on population growth

Alberta's population growth continued to moderate in the second quarter. Alberta's population stood at 4,286,134 as of July 1, 2017, an increase of 13,736 people from the previous quarter (+0.32%). The province continued to have the highest rate of natural increase among provinces (+0.19%), while immigration remained solid. However, the province lost around 4,900 people to other provinces (Chart 3). On a year-over-year basis, Alberta's population grew by 1.17%, which is the slowest second quarter growth since 1988 and the first time growth dipped below the national average since 1989. Despite slower growth, Alberta added close to 50,000 people over the last year.

Chart 3: Alberta's population growth is slowing
Contributions to changes in Alberta's population



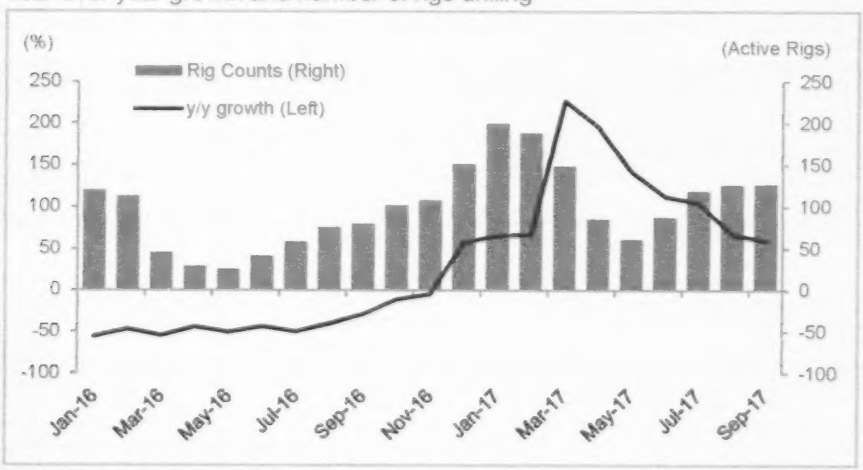
Source: Statistics Canada

Rigs Drilling

Year-over-year gains moderate

The pace of recovery in rigs drilling continues to slow heading into fall. The number of active rigs averaged 127 in September, virtually unchanged from August levels. While rig counts continue to increase year-over-year, the pace of growth has moderated considerably since peaking in March (Chart 4). Rig counts over the first nine months of 2017 are nearly double the level seen over the same period of last year. Meanwhile, rigs drilling in the rest of Canada averaged 64, up over 50% from last year. Rig utilization across Canada continued to hover near 30% which is below the average for this time of year.

Chart 4: Pace of growth in drilling activity continues to ease
Year-over-year growth and number of rigs drilling



Source: Canadian Association of Oilwell Drilling Contractors

Metres Drilled for Oil and Gas

Uptick in summer drilling activity

While the number of rigs drilling leveled off in the summer, conventional producers increased the number of metres drilled. There were over one million metres drilled for oil and gas in July, an increase of 50% from June and 633 thousand metres from the same month last year. Metres drilled for both conventional oil and natural gas picked up, while gains in bitumen continue to moderate. Despite the over two-fold improvement from last year, metres drilled for bitumen slipped below the 2010-2014 range for the first time since February 2017. With continued growth in total metres drilled, the number of metres drilled per well held close to the 10-year high for the month of July.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.